



Saint Louis Housing Commission

St. Louis, Michigan

Financial Statements and Single Audit Report

For the Year Ended June 30, 2008



REHMANN ROBSON

Certified Public Accountants

ST. LOUIS HOUSING COMMISSION

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INDEPENDENT AUDITORS' REPORT

December 22, 2008

Board of Directors
St. Louis Housing Commission
St. Louis, Michigan

We have audited the accompanying financial statements of the business-type activities and each major fund of the **St. Louis Housing Commission**, as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of **St. Louis Housing Commission**, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, on our consideration of the **St. Louis Housing Commission's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***St. Louis Housing Commission's*** basic financial statements. The financial data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office and Management and Budget Circular A-133, *Audits of State, Local Governments, and NonProfit Organization*, and is also not a required part of the financial statements of the Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The management discussion and analysis of the St. Louis Housing Commission's financial statements includes a narrative overview and discussion of the financial activities of the Housing Commission for the year ending June 30, 2008. Since the MD&A is designed to present basic financial information in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the Housing Commission's audited financial statements.

Financial Highlights

- Assets exceed liabilities at the close of the most recent fiscal year by \$1,794,604 (net assets). Of this amount, \$533,467 may be used to meet the Housing Commission's continuing obligations.
- Capital assets decreased \$57,556 without the implication of accumulated depreciation.
- Housing Commission revenues increased by \$56,481 excluding Capital Funds dollars.
- The collective effect on operating expense of 2007 vs. 2008 was a 4.5% increase.

St. Louis Housing Commission's Statement of Net Assets

	Business-type Activities	
	2007	2008
Current and other assets	\$ 555,564	\$ 615,935
Capital assets	1,318,692	1,261,137
Total assets	1,874,256	1,877,072
Accounts payable and accrued expenses	75,807	60,013
Non-current liabilities	22,892	22,455
Total liabilities	98,699	82,468
Net assets:		
Invested in capital assets	1,318,692	1,261,137
Unrestricted	456,865	533,467
Total net assets	\$ 1,775,557	\$ 1,794,604

Major Factors affecting the statement of Net Assets

Total Assets for FYE 2007 are \$1,874,256 and at FYE 2008 the amount was \$1,877,072. This represents an increase of \$2,816 for which the major reason was the recording of the net pension asset for 2007 which increased in 2008.

Accounts payable and accrued expenses decreased by \$15,794 from 2007 to 2008 with the reason being timing issues related to payment of products and services received and rendered.

Non-current liabilities decreased by \$437 from 2007 to 2008 with the reason being a decrease in the amount recorded for accrued vacation time

Net Assets increased by \$19,047 from 2007 to 2008 with the reason being the increase of the net pension asset.

St. Louis Housing Commission's Change in Net Assets

	Business-type Activities	
	2007	2008
Revenues:		
Public housing rental	\$ 143,755	\$ 147,459
HUD operating subsidy	758,753	811,369
HUD capital fund	160,875	83,951
Other	949	2,614
Unrestricted investment earnings	9,285	7,781
Total revenues	1,073,617	1,053,174
Expenses:		
Administration	160,304	165,174
Tenant services	253	-
Utilities	79,143	81,136
Maintenance	124,134	139,091
Casualty loss	410	-
Housing assistance payments	470,583	480,131
Depreciation	125,446	142,310
Miscellaneous	30,213	26,285
Total expenses	990,486	1,034,127
Change in net assets	83,131	19,047
Net assets, beginning of year	1,692,426	1,775,557
Net assets, end of year	\$ 1,775,557	\$ 1,794,604

Major Factors affecting the statement of Net Assets:

Maintenance increased \$14,957 because more unit and site work was completed than the prior year.

The increase in the housing assistance payments was due to an increase in the number of participants that the commission was able to assist under the Housing Choice Voucher Program.

Some of the Commission's capital assets became fully depreciated in 2007. This caused an increase in the 2008 depreciation expense due to a \$115,131 increase in capital assets from purchases/additions.

The major impact to revenues for 2008 was the decrease in the amount of capital funds utilized during the year and the increase in the amount of operating subsidy received.

Overview of Financial Statements

The MD&A is specifically designed to: 1.) assist the reader in focusing on significant financial issues; 2.) provide a broad scope overview of the Housing Commission's financial activities; 3.) identify and explain changes in the Housing Commission's financial position from 2007 to 2008; and 4.) highlight any individual funding source issues or concerns. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

This MD&A is intended to serve as an introduction to the Housing Commission's basic financial statements. The Housing Commission is a blended component unit of the City of St. Louis, engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (a) fund financial statements and (b) a series of notes to the financial statements. These provide information about the activities of the Housing Commission as a whole and present a longer-term view of the Housing Commission's finances.

Reporting On The Housing Commission As A Whole

One of the most important questions asked about the Commission's finances are, "Is the Housing Commission as a whole better off, or worse off, as a result of the achievements of fiscal year 2008?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Commission are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Commission, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Commission's financial statements report its net assets and changes in them. One can think of the Housing Commission's net assets - the difference between assets and liabilities - as one way to measure the Commission's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors; however, such as the changes in the Commission's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Commission.

Annual Report Using This

The Housing Commission's annual report consists of financial statements that show combined information about the Housing Commission's funds, the Low Rent Housing Program, Section 8 Housing Choice Voucher Program and Public Housing Capital Fund Program.

The Housing Commission auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting The Housing Commission's Most Significant Funds

The Housing Commission's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development ("HUD"). However, the Housing Commission establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Commission's enterprise funds use the following accounting approach for Proprietary funds. All of the Housing Commission's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator. The statements evaluated include:

- Statement of Net Assets – reports the Housing Commission's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.

- Statement of Revenues, Expenses, and Changes in Fund Net Assets reports the Housing Commission's operating and nonoperating revenues, by major source along with operating and nonoperating expenses.
- Statement of Cash Flows – reports the net change in cash and cash equivalents during the year, by operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The following analysis of the entity wide financial statement is provided to assist the reader of our financial statements.

The SLHC maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the authority provides for the residents of the St. Louis Housing Commission:

Low Income Public Housing

The SLHC owns approximately 80 units in two developments in the City of St. Louis. The 80 units owned by the Commission consist of family units. The Commission is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Commission submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Commission has an allowable Operating Expense Level, Allowable Utilities Expenses Level and Audit Costs that becomes the Commission's Total Allowable Expenses. HUD will fund the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculation. The funds are utilized to provide safe, affordable, clean housing to the residents of the City of St. Louis, Michigan.

Section 8 Housing Choice Voucher Program

This grant program provides Housing Assistance Payments to Landlords who participate in the program. Qualifying tenants to the program have their income analyzed utilizing HUD's guidelines and their rents are assessed accordingly. The balance between the differences of the allowable rent amount set by HUD and the tenant's contribution is equal to the Housing Assistance Payment.

Capital Fund Program

This grant program is awarded by HUD on an annual basis. The purposes of this grant are to maintain the physical improvements of the Commission's sites and for administrative management to ensure those improvements are completed in the most effective and efficient manner. The Commission requisitions funds from HUD as the Commission expends funds.

Economic Factors

The Housing Commission's primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by Federal budget than by local economic conditions. The capital budgets for the 2009 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

Significant economic factors affecting the Commission are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rent.
- Income inflationary pressure on utility rates, supplies and other costs.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the St. Louis Housing Commission Executive Director, 308 S. Delaware Street, PO Box 117, Saint Louis, Michigan 48880.

BASIC FINANCIAL STATEMENTS

ST. LOUIS HOUSING COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 520,240
Accounts receivable, net	4,836
Accrued interest	22
Prepaid expenses and other assets	40,443
Restricted assets:	
Cash and cash equivalents	<u>50,393</u>

Total current assets 615,934

Capital assets:

Property and equipment, net	<u>1,261,136</u>
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Total assets 1,877,070

LIABILITIES

Current liabilities:

Accounts payable	15,461
Accrued compensated absences	12,520
Accrued liabilities	12,089
Due to other governmental units	3,156
Unearned revenue	3,312
Tenant security deposits	<u>13,475</u>

Total current liabilities 60,013

Non-current liabilities:

Accrued compensated absences	<u>22,455</u>
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Total liabilities 82,468

NET ASSETS

Invested in capital assets	1,261,136
Restricted	50,393
Unrestricted	<u>483,073</u>

Total net assets \$ 1,794,602

The accompanying notes are an integral part of these financial statements.

**ST. LOUIS HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

OPERATING REVENUES

Net tenant rental revenue	\$ 147,459
HUD capital grants	83,951
HUD operating subsidies	811,369
Other	<u>1,586</u>

Total operating revenues	<u>1,044,365</u>
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OPERATING EXPENSES

Administrative	168,514
Utilities	81,136
Ordinary maintenance and operation	139,091
General expenses	20,346
Housing assistance payments	480,164
Bad debt expense	1,161
Depreciation	<u>142,310</u>

Total operating expenses	<u>1,032,722</u>
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Operating income	<u>11,643</u>
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NONOPERATING REVENUE (EXPENSE)

Loss on sale of capital assets	(378)
Interest income	<u>7,780</u>

Total nonoperating revenue (expense)	<u>7,402</u>
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Change in net assets	19,045
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Net assets, beginning of year	<u>1,775,557</u>
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Net assets, end of year	<u><u>\$ 1,794,602</u></u>
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The accompanying notes are an integral part of these financial statements.

ST. LOUIS HOUSING COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Public Housing Low Rent Program	Public Housing Capital Fund Program	Housing Choice Vouchers Program	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 323,259	\$ -	\$ 196,981	\$ 520,240
Accounts receivable	4,602	-	1,954	6,556
Allowance for doubtful accounts	(1,720)	-	-	(1,720)
Accrued interest	-	-	22	22
Interprogram receivable	-	-	14,360	14,360
Prepaid expenses and other assets	32,386	-	8,057	40,443
Restricted assets:				
Cash and cash equivalents	-	-	50,393	50,393
Total current assets	358,527	-	271,767	630,294
Capital assets:				
Property and equipment, net	1,111,011	150,125	-	1,261,136
Total assets	1,469,538	150,125	271,767	1,891,430
LIABILITIES				
Current liabilities:				
Accounts payable	15,027	-	434	15,461
Accrued compensated absences	9,141	-	3,379	12,520
Accrued liabilities	9,033	-	3,056	12,089
Due to other governmental units	3,156	-	-	3,156
Interprogram payable	14,360	-	-	14,360
Unearned revenue	3,312	-	-	3,312
Tenant security deposits	13,475	-	-	13,475
Total current liabilities	67,504	-	6,869	74,373
Non-current liabilities:				
Accrued compensated absences	16,657	-	5,798	22,455
Total liabilities	84,161	-	12,667	96,828
NET ASSETS				
Invested in capital assets	1,111,011	150,125	-	1,261,136
Restricted	-	-	50,393	50,393
Unrestricted	274,366	-	208,707	483,073
Total net assets	\$ 1,385,377	\$ 150,125	\$ 259,100	\$ 1,794,602

The accompanying notes are an integral part of these financial statements.

ST. LOUIS HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Public Housing Low Rent Program	Public Housing Capital Fund Program	Housing Choice Vouchers Program	Total
OPERATING REVENUES				
Net tenant rental revenue	\$ 147,459	\$ -	\$ -	\$ 147,459
HUD capital grants	-	83,951	-	83,951
HUD operating subsidies	217,750	5,200	588,419	811,369
Other	1,520	-	66	1,586
Total operating revenues	366,729	89,151	588,485	1,044,365
OPERATING EXPENSES				
Administrative	92,218	-	76,296	168,514
Utilities	81,136	-	-	81,136
Ordinary maintenance and operation	133,891	5,200	-	139,091
General expenses	20,346	-	-	20,346
Housing assistance payments	-	-	480,164	480,164
Bad debt expense	1,161	-	-	1,161
Depreciation	129,354	12,956	-	142,310
Total operating expenses	458,106	18,156	556,460	1,032,722
Operating (loss) income	(91,377)	70,995	32,025	11,643
NONOPERATING REVENUE (EXPENSES)				
(Loss) on sale of capital assets	(378)	-	-	(378)
Interest income	7,175	-	605	7,780
Total nonoperating revenue (expenses)	6,797	-	605	7,402
Income (loss) before transfers	(84,580)	70,995	32,630	19,045
Transfers in	94,101	-	-	94,101
Transfers out	-	(94,101)	-	(94,101)
Change in net assets	9,521	(23,106)	32,630	19,045
Net assets, beginning of year	1,375,856	173,231	226,470	1,775,557
Net assets, end of year	<u>\$ 1,385,377</u>	<u>\$ 150,125</u>	<u>\$ 259,100</u>	<u>\$ 1,794,602</u>

The accompanying notes are an integral part of these financial statements.

**ST. LOUIS HOUSING COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	Public Housing Low Rent Program	Public Housing Capital Fund Program	Housing Choice Vouchers Program	Total
Cash flows from operating activities:				
Cash received from customers and others	\$ 367,269	\$ 119,151	\$ 586,534	\$ 1,072,954
Cash payments for interfund services used	-	(30,000)	(12,306)	(42,306)
Cash received from interfund services provided	42,306	-	-	42,306
Cash payments to employees	(92,819)	-	(76,760)	(169,579)
Cash payments to suppliers for goods and services	(254,675)	(5,200)	(481,133)	(741,008)
Net cash provided by (used in) operating activities	62,081	83,951	16,335	162,367
Cash flows (used in) provided by capital and related financing activities:				
Acquisition of capital assets	(1,181)	(83,951)	-	(85,132)
Cash flows provided by investing activities:				
Interest received	7,175	-	605	7,780
Net increase in cash and cash equivalents	68,075	-	16,940	85,015
Cash and cash equivalents, beginning of year	255,184	-	230,434	485,618
Cash and cash equivalents, end of year	<u>\$ 323,259</u>	<u>\$ -</u>	<u>\$ 247,374</u>	<u>\$ 570,633</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (91,377)	\$ 70,995	\$ 32,025	\$ 11,643
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	129,354	12,956	-	142,310
(Increase) decrease in assets				
Accounts receivable	540	30,000	(1,951)	28,589
Due from other funds	30,000	-	(12,306)	17,694
Prepaid expenses	(2,905)	-	(1,040)	(3,945)
Increase (decrease) in liabilities				
Accounts payable	(18,633)	-	71	(18,562)
Accrued liabilities	(601)	-	(464)	(1,065)
Due to other funds	12,306	(30,000)	-	(17,694)
Deposits	756	-	-	756
Unearned revenue	2,641	-	-	2,641
Net cash provided by operating activities	<u>\$ 62,081</u>	<u>\$ 83,951</u>	<u>\$ 16,335</u>	<u>\$ 162,367</u>

The accompanying notes are an integral part of these financial statements.

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. REPORTING ENTITY

The St. Louis Housing Commission (the “Commission”) is a blended component unit of the City of St. Louis, Michigan (the “City”) as defined by the Governmental Accounting Standards Board’s (“GASB”) Statement No. 14, The Financial Reporting Entity. The basic criterion for being considered a component unit is the exercise of financial responsibility over such a unit by a primary government, the appointment of the unit’s governing Board by a primary government, the designation of management by a primary government, or the ability to exert significant influence on the budget and operations of the unit by a primary government. As a result of being identified as a component unit, the Commission’s financial records have been included as a blended component unit in the financial statements of the City of St. Louis.

The Commission reports as a business-type activity, as defined by the Governmental Accounting Standards Board Statement No. 34, with individual proprietary funds.

These financial statements include all activities of the Commission, which include a Low Income Housing Program (80 units) and a Housing Choice Vouchers Program (155 units). These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (“HUD”).

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Commission are federal grants and charges to customers for services. Operating expenses include housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The government reports the following major proprietary funds:

The *public housing low rent program fund* accounts for the revenue and related operations of the Public and Indian Housing grant program.

The *public housing capital fund program fund* accounts for the revenue and related purchases of capital assets of the Public Housing Capital Fund grant program.

The *housing choice vouchers program fund* accounts for the revenue and related operations of the Section 8 Choice Vouchers grant program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. ASSETS AND LIABILITIES

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Commission considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Due To Other Governmental Units

This account represents the amount due to the City for the payment in lieu of taxes.

Prepaid items

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

Site improvements	5-20 years
Buildings	40 years
Building improvements	5-10 years
Nondwelling structures	5-40 years
Dwelling equipment – nonexpendable	7 years
Furniture and fixtures	3-10 years

Compensated Absences

The Commission records a liability for compensated absences for any employee with vacation or sick time which meets the requirements for recording of a liability.

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents as shown in the financial statements to the Commission's deposits is as follows:

	<u>Total</u>
Statement of Net Assets Caption:	
Cash and cash equivalents	\$ 520,240
Restricted cash and cash equivalents	<u>50,393</u>
Total	<u><u>570,633</u></u>
Notes to Financial Statements:	
Bank deposits	<u><u>\$ 570,633</u></u>

Investment and deposit risk:

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Commission's investment policy does not have specific limits in excess of state law on investment credit risk. The Commission has no investments for which ratings are required.

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require and the Commission does not have a policy for deposit custodial credit risk. As of year-end, \$395,922 of the Commission's bank balance of \$595,922 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Statutory Authority:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Commission is authorized to designate depositories for Commission funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Commission's deposits are in accordance with statutory authority.

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

B. CAPITAL ASSETS

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 40,831	\$ -	\$ -	\$ 40,831
Construction in progress	30,000	-	(30,000)	-
Total capital assets not being depreciated	<u>70,831</u>	<u>-</u>	<u>(30,000)</u>	<u>40,831</u>
Capital assets, being depreciated				
Site improvements	816,352	24,595	-	840,947
Buildings	1,751,038	-	-	1,751,038
Building improvements	1,529,733	87,121	-	1,616,854
Nondwelling structures	217,232	-	-	217,232
Dwelling equipment - nonexpendable	59,104	1,185	(4,319)	55,970
Furniture and fixtures	135,644	2,231	(46,630)	91,245
Total capital assets being depreciated	<u>4,509,103</u>	<u>115,132</u>	<u>(50,949)</u>	<u>4,573,286</u>
Less accumulated depreciation				
Site improvements	(742,827)	(14,843)	-	(757,670)
Buildings	(1,069,897)	(43,776)	-	(1,113,673)
Building improvements	(1,155,815)	(65,075)	-	(1,220,890)
Nondwelling structures	(147,654)	(5,526)	-	(153,180)
Dwelling equipment - nonexpendable	(37,438)	(5,767)	4,192	(39,013)
Furniture and fixtures	(107,611)	(7,323)	46,379	(68,555)
Total accumulated depreciation	<u>(3,261,242)</u>	<u>(142,310)</u>	<u>50,571</u>	<u>(3,352,981)</u>
Total capital assets being depreciated, net	<u>1,247,861</u>	<u>(27,178)</u>	<u>(378)</u>	<u>1,220,305</u>
Net capital assets	<u>\$ 1,318,692</u>	<u>\$ (27,178)</u>	<u>\$ (30,378)</u>	<u>\$ 1,261,136</u>

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

C. INTERFUND RECEIVABLES , PAYABLES AND TRANSFERS

Due To	Due From
	Public Housing Low Rent
Housing Choice Vouchers Program	<u>\$ 14,360</u>

The balance due between the funds is for reimbursement of expense paid for by one fund on behalf of the other fund.

Transfers From	Transfers To Public Housing Low Rent
Public Housing Capital Fund Program	<u>\$ 94,101</u>

The transfer between the funds resulted from the completion of the 2005 capital projects.

D. COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
Accrued compensated absences	<u>\$36,035</u>	<u>\$ 8,436</u>	<u>\$ (9,496)</u>	<u>\$ 34,975</u>	<u>\$ 12,520</u>

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

III. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Plan Description

The defined benefit pension plan is operated by the Municipal Employees Retirement System (MERS), which is an agent multiple-employer retirement system. MERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917 or by calling (800) 767-6377.

Funding Policy

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Commission has responsibility for making actuarially determined contributions to the system. Participants may make voluntary contributions; however, no employee contributions are required.

Annual Pension Costs

For the year ended June 30, 2008, the Commission's annual pension cost for MERS was more than the Commission's required contribution and less than the actual contribution made. Actual contributions to MERS for the year ending June 30, 2008, amounted to \$29,848. The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2007, using the entry age normal cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0% and, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period.

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The Housing Commission's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 23,848
Less: Interest on net pension asset	(1,918)
Plus: Adjustment to annual required contribution	<u>4,291</u>
Annual pension cost	26,221
Contributions made	<u>29,848</u>
Increase in net pension asset	(3,627)
Net pension (asset), beginning of year	<u>(23,980)</u>
Net pension (asset), end of year	<u>\$ (27,607)</u>

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/06	\$22,842	157%	\$ 13,352
6/30/07	24,040	144%	23,980
6/30/08	26,221	114%	27,607

Schedule of Funding Progress

Actuarial Valuation of Payroll Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered (b-a/c)
12/31/05	\$203,354	\$404,608	\$201,254	50%	\$140,767	143%
12/31/06	264,236	459,130	194,984	58%	147,718	132%
12/31/07	318,005	494,280	176,275	64%	147,283	120%

B. RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission manages risk through the purchase of commercial insurance.

ST. LOUIS HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Liability, automotive, and property - The Commission is a member of the Municipal Underwriters of Michigan, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The Commission is insured up to the following limits: Liability - \$1,000,000, automotive - \$1,000,000, property - \$5,722,000, subject to deductibles of \$0, \$100, and \$250, respectively. The Commission is not subject to supplemental premium assessments by the association.

C. CONCENTRATION

The Commission's operations are concentrated in the multifamily real estate market. In addition, the Commission operates in a heavily regulated environment. The operations of the Commission are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of state or federal legislature or an administrative change by HUD. Such changes may occur with little or inadequate funding to pay for the related costs, including additional administrative burden, to comply with a change.

D. FEDERAL GRANTS

The Commission has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although no amounts have been claimed, such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Commission believes such disallowances, if any, will be immaterial.

* * * * *

SUPPLEMENTARY INFORMATION

ST. LOUIS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
JUNE 30, 2008

FDS Line Item No.		Public Housing Low Rent Program	Public Housing Capital Fund Program	Housing Choice Vouchers Program	Total
	ASSETS				
	Current assets				
111	Cash - unrestricted	\$ 323,259	\$ -	\$ 196,981	\$ 520,240
113	Cash - restricted	-	-	50,393	50,393
100	Total cash	323,259	-	247,374	570,633
	Receivables				
122	Accounts receivable - HUD other projects	-	-	1,954	1,954
126	Accounts receivable - Tenants - Dwelling rent	4,602	-	-	4,602
126.1	Allowance for doubtful accounts - dwelling rent	(1,720)	-	-	(1,720)
129	Accrued interest receivable	-	-	22	22
120	Total receivables	2,882	-	1,976	4,858
	Other current assets				
142	Prepaid expenses and other assets	32,386	-	8,057	40,443
144	Interprogram due from	-	-	14,360	14,360
150	Total current assets	358,527	-	271,767	630,294
	Noncurrent assets				
161	Land	40,831	-	-	40,831
162	Buildings	3,454,004	131,120	-	3,585,124
163	Furniture, equipment & machinery - dwellings	49,334	6,636	-	55,970
164	Furniture, equipment & machinery - administration	70,938	1,360	18,947	91,245
165	Leasehold improvements	816,352	24,595	-	840,947
166	Accumulated depreciation	(3,320,448)	(13,586)	(18,947)	(3,352,981)
160	Total capital assets, net of accumulated depreciation	1,111,011	150,125	-	1,261,136
180	Total noncurrent assets	1,111,011	150,125	-	1,261,136
190	Total assets	\$ 1,469,538	\$ 150,125	\$ 271,767	\$ 1,891,430

ST. LOUIS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2008

FDS Line Item No.		Public Housing Low Rent Program	Public Housing Capital Fund Program	Housing Choice Vouchers Program	Total
	LIABILITIES				
	Current liabilities				
312	Accounts payable	\$ 15,027	\$ -	\$ 434	\$ 15,461
321	Accrued wages	9,033	-	3,056	12,089
322	Accrued compensated absences	9,141	-	3,379	12,520
333	Due to other governmental units	3,156	-	-	3,156
341	Tenant security deposits	13,475	-	-	13,475
342	Deferred revenue	3,312	-	-	3,312
347	Interprogram due to	14,360	-	-	14,360
310	Total current liabilities	67,504	-	6,869	74,373
	Noncurrent liabilities				
354	Accrued compensated absences	16,657	-	5,798	22,455
350	Total noncurrent liabilities	16,657	-	5,798	22,455
300	Total liabilities	84,161	-	12,667	96,828
	Equity/net assets				
508.1	Invested in capital assets	1,111,011	150,125	-	1,261,136
511.1	Restricted	-	-	50,393	50,393
512.1	Unrestricted	274,366	-	208,707	483,073
513	Total equity/net assets	1,385,377	150,125	259,100	1,794,602
600	Total liabilities and equity/net assets	\$ 1,469,538	\$ 150,125	\$ 271,767	\$ 1,891,430

**ST. LOUIS HOUSING COMMISSION
FINANCIAL DATA SECTION
FOR THE YEAR ENDED JUNE 30, 2008**

FDS Line Item No.		Public Housing Low Rent Program	Public Housing Capital Fund Program	Housing Choice Vouchers Program	Total
703	Net tenant rental revenue	\$ 146,289	\$ -	\$ -	\$ 146,289
704	Tenant revenue - other	1,170	-	-	1,170
705	Total tenant revenue	147,459	-	-	147,459
706	HUD PHA operating grants	217,750	5,200	588,419	811,369
706.1	Capital grants	-	83,951	-	83,951
711	Investment income	7,175	-	605	7,780
715	Other revenue	1,520	-	66	1,586
716	Gain/(loss) on sale of capital assets	(378)	-	-	(378)
700	Total revenue	373,526	89,151	589,090	1,051,767
	Operating expenses				
911	Administrative salaries	48,143	-	33,642	81,785
912	Auditing fees	3,400	-	1,000	4,400
915	Employee benefit contributions - administrative	27,127	-	20,188	47,315
916	Other operating - administrative	13,548	-	21,466	35,014
931	Water	8,232	-	-	8,232
932	Electricity	18,786	-	-	18,786
933	Gas	50,928	-	-	50,928
938	Other utilities expense	3,190	-	-	3,190
941	Ordinary maintenance and operations - labor	61,788	-	-	61,788
942	Ordinary maintenance and operations - materials and other	24,235	-	-	24,235
943	Ordinary maintenance and operations - contract costs	11,895	5,200	-	17,095
945	Employee benefit contributions - ordinary maintenance	35,973	-	-	35,973
961	Insurance premiums	17,190	-	-	17,190
963	Payments in lieu of taxes	3,156	-	-	3,156
964	Bad debt - tenant rents	1,161	-	-	1,161
968	Total operating expenses	328,752	5,200	76,296	410,248
970	Excess operating revenues over operating expenses	44,774	83,951	512,794	641,519
973	Housing assistance payments	-	-	480,164	480,164
974	Depreciation	129,354	12,956	-	142,310
900	Total expenses	458,106	18,156	556,460	1,032,722
1001	Transfers in	94,101	-	-	94,101
1002	Transfers out	-	(94,101)	-	(94,101)
1010	Total other financing sources (uses)	94,101	(94,101)	-	-
1000	Excess (deficiency) of operating revenue over expenses	9,521	(23,106)	32,630	19,045
1103	Beginning of year equity	1,375,856	173,231	226,470	1,775,557
	End of year equity	\$ 1,385,377	\$ 150,125	\$ 259,100	\$ 1,794,602

SINGLE AUDIT SECTION

**ST. LOUIS HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL AWARDS EXPENDED</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Low Rent Public Housing	14.850a	\$ 217,750
Housing Choice Vouchers	14.871	588,419
Public Housing Capital Fund Program	14.872	<u>89,151</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u><u>\$ 895,320</u></u>

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the St. Louis Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS**

December 22, 2008

Board of Directors
St. Louis Housing Commission
St. Louis, Michigan

We have audited the financial statements of the business-type activities and each major fund of St. Louis Housing Commission as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *St. Louis Housing Commission's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *St. Louis Housing Commission's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the St. Louis City Council, the St. Louis Housing Commission and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 22, 2008

Board of Directors
St. Louis Housing Commission
St. Louis, Michigan

Compliance

We have audited the compliance of *St. Louis Housing Commission* with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. *St. Louis Housing Commission's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of *St. Louis Housing Commission's* management. Our responsibility is to express an opinion on *St. Louis Housing Commission's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and NonProfit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *St. Louis Housing Commission's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *St. Louis Housing Commission's* compliance with those requirements.

In our opinion, *St. Louis Housing Commission* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of *St. Louis Housing Commission* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *St. Louis Housing Commission's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the St. Louis City Council, the St. Louis Housing Commission and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

ST. LOUIS HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal controls over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial
statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified not
considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance
for major programs: *Unqualified*

Any audit findings disclosed that are required to
be reported in accordance with Circular A-133,
Section 510(a)? _____ yes X no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Vouchers

ST. LOUIS HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

PRIOR YEAR FINDINGS

None.